

Madam Chairwoman, and members of the committee, my name is Ryan Warner. I am here to testify as a private citizen in opposition to HB 1380.

HB 1380 is an innovative attempt to circumvent the democratic and legislative process.

If implemented, HB 1380 would divert constitutionally mandated deposits from the Legacy Fund¹ into a new Legacy earnings fund.

Once in the Legacy earning fund, funds are then automatically transferred to a variety of sources, based on the following priority:

1. The first \$100 million to the Legacy Sinking and Interest Fund
2. The next \$40 million to the Clean Sustainable Energy Authority
3. The next \$40 million to the Infrastructure Revolving Loan Fund²
4. Any remaining funds for any purposes as designated by the legislative assembly.

The amount available for appropriation from the Legacy earnings fund is capped at 6% of the 5-year rolling average of the Legacy fund. Any transfers from the Legacy Fund to the Legacy earnings fund that exceed this cap shall be diverted within 30 days according to the following formula:

1. 40% to the Strategic Investments and Improvements Fund
2. 40% back to the Legacy Fund to become a part of the principal
3. 20% back to the Income Tax Relief Fund

It is not clear why the State of North Dakota requires so many Funds. Currently, we have 44 special funds³ and one General Fund. This bill creates another 3 funds on top of the existing 45 we currently administer. Do we really need this much bureaucracy to simply fund and run the government?

¹ In the last biennium, \$455 million of Legacy Fund earnings were returned back to the state's General Fund via this mechanism. If implemented, HB 1380 would divert these funds and create a reduction in available General Fund revenue.

² Provided it does not bring the total in that Fund to greater than \$500 million.

³ Abandoned Mine Reclamation Fund, Abandoned Oil/Gas Well Plugging and Site Reclamation Fund, Budget Stabilization Fund, Capitol Building Fund, Children's Trust Fund, Coal Development Trust Fund, Common Schools Trust Fund, Community Development Loan Fund, Corporate/Individual Refund, Reserves Fund, Credit Sale Contract Indemnity Fund, Energy Conservation Fund, Environment and Rangeland Protection Fund, Foundation Aid Stabilization Fund, Highway Tax Distribution Fund, Indian Cultural Education Trust, Insurance Trust Fund, Legacy Fund, Lignite Research Fund, Oil and Gas Impact Grant Fund (Energy Development Impact Fund), Oil/Gas Production Tax Distribution, Oil/Gas Research Fund, Highway Tax Distribution Fund, Oil and Gas Production Tax Distribution Fund, Oil Extraction Tax Development Trust Fund, State Aid Distribution Fund, Township Road and Bridge Fund, Outdoor Heritage Fund, Pension Trust (TFFR/PERS), Renewable Energy Development Fund, Research ND Fund, Resources Trust Fund, Siting Process Recovery Fund, State Disaster Relief Fund, Statewide Interoperable Radio Network Fund, Strategic Investment and Improvements Fund, Tax Relief Fund, Tobacco Prevention and Control Trust Fund, Tobacco Settlement Trust Fund, Township Road and Bridge Fund, Veteran's Cemetery Trust Fund, Veterans Postwar Trust Fund, Water Development Trust Fund, and the Workforce Enhancement Fund.

More importantly, the formulas and automatic transfers included in the creation of these 3 new funds circumvent the democratic and legislative process by substituting one-time public debates and public hearings for ongoing allocations. As it stands now, the Legacy fund earnings are transferred into the General Fund, and any funding decisions are debated and vetted across multiple committees before being passed and sent to the Governor to become law. If HB 1380 is passed, all that democratic process is subverted, and certain special interests receive ongoing allocations without public or legislative oversight.

The absence of democratic and legislative process is made worse by the fact that the destination of one such automatic transfer - the Clean Sustainable Energy Authority - is shielded from open records laws, so we won't even know where the money goes. In essence, HB 1380 creates an ongoing transfer of \$40 million dollars every 2 years into a blackhole. Do we really need to automate this? Shouldn't we be reviewing these transfers every 2 years? Isn't that why this committee exists?

The public has a right to know where its money is going, and setting up ongoing automatic transfers behind a shield of bureaucracy and overly complicated formulas does nothing but subvert our democratic and legislative process.

In the interest of transparency and good governance, I urge a DO NOT PASS designation.